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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

5 July 1983

NOTE FOR: Henry S. Rowen
Chairman, National Intelligence Council

FROM : David B. Low
National Intelligence Officer at Large

SUBJECT : Nicaraguan Economy

With respect to your suggestion the other day at lunch that we undertake a numerical exercise to project the impact of cutting key imports to Nicaragua from the US, such as motor vehicle parts and agricultural machinery spare parts, I have reviewed the idea with the country specialist in OALA and with Maurice Ernst. The ALA analyst feels that we do not have sufficient data concerning the exact nature of purchases, how frequently they are made, and other specifics which would allow for reasonable assumptions to be made. Thus, it is felt that any modeling would not be practical, involving mostly guesswork. Maurice suggests that the availability of other sources of supply, even of US parts, in the region and the smallness of the overall needs mean that the impact on the economy would not be large. Surely there would be some inconvenience and increased prices, but the vulnerability is not great. Aid from current sources might make up the difference or they may just do without.

My own feeling is that the US does have some leverage in various sectors of the import-export mix with Nicaragua, and probably more in this specific sector than any other. However, any effort to measure specific impact is destined to be subject to an error factor of some 100 percent or more. In addition, the political and diplomatic aspects of the employment of such sanctions are a much larger consideration. The incremental value of a "stab" at the numerical impact does not strike me as being large.

If you still would like to proceed with this idea, please let me know.



David B. Low

cc: VC/NIC (C. Waterman)

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